

Southern Hemisphere Mining Limited
(An Exploration Stage Company)

Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

CONTENTS

Auditors Report	2
Consolidated Balance Sheets	3
Consolidated Statements of Shareholders' Equity	4
Consolidated Statements of Operations and Deficit	5
Consolidated Statements of Cash Flows	6
Notes to the Consolidated Financial Statements	7 – 30

AUDITORS' REPORT

To the Shareholders of
Southern Hemisphere Mining Limited
(an exploration stage company)

We have audited the consolidated balance sheets of Southern Hemisphere Mining Limited as at June 30, 2009 and 2008 and the consolidated statements of operations and deficit, shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2009 and 2008 and the results of its operations and cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants

September 30, 2009
Toronto, Ontario

Southern Hemisphere Mining Limited

(An exploration stage company)

Consolidated Balance Sheets

As at:	June 30, 2009 \$	June 30, 2008 \$
Assets		
Current Assets		
Cash and equivalents	557,347	1,581,873
Receivables	44,861	27,653
	602,208	1,609,526
Capital Assets (Note 7)		
Loans due from related parties (Note 8)	20,394	23,708
Mineral Properties (Note 6)	133,995	104,325
Other Acquisition Costs (Note 21)	6,470,730	4,778,419
	74,810	-
	7,302,137	6,515,978
Liabilities		
Current Liabilities		
Accounts payable	94,870	93,448
Accrued liabilities	63,669	56,982
Loans due to related parties (Note 8)	13,105	13,695
	171,644	164,125
Future Income Tax (Note 12)	517,600	496,100
	689,244	660,225
Shareholders' Equity		
Common Shares (Note 9)	7,209,741	5,979,980
Warrants (Note 10)	1,101,157	776,918
Agent's Options (Note 10)	38,457	38,457
Contributed Surplus	936,161	936,161
Accumulated Deficit	(2,672,623)	(1,875,763)
	6,612,893	5,855,753
	7,302,137	6,515,978

Ability to continue as a going concern (Note 1)

Subsequent events (Note 21)

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

signed "Trevor Tennant"
Trevor Tennant, Director

signed "James Pearson"
James Pearson, Director

The accompanying notes are an integral part of these consolidated financial statements.

Southern Hemisphere Mining Limited

(An exploration stage company)

Consolidated Statements of Shareholders' Equity

	Common Shares #	Common Shares \$	Warrants and options \$	Contributed Surplus \$	Accumulated Deficit \$	Shareholders' Equity \$
Balance – pre RTO (A)	2,000,000	262,944	41,270	-	(349,211)	(44,997)
Adjustment on RTO (Note 2)	-	(262,944)	(41,270)	-	270,246	(33,968)
Shares issued on RTO	19,434,636	1,849,825	-	-	-	1,849,825
Shares issued – MHS acquisition	2,565,364	846,570	-	-	-	846,570
Brokered private placement, net of issue costs of \$169,447	9,203,187	3,511,828	-	-	-	3,511,828
Fair value attributed to warrants on Brokered private placement	-	(628,544)	628,544	-	-	-
Short form offering, net of issue costs of \$117,979	1,712,500	567,021	-	-	-	567,021
Fair value attributed to warrants on short-form offering	-	(116,957)	116,957	-	-	-
Share issue costs - agent options	-	(18,346)	18,346	-	-	-
Share issue costs - agent warrants	-	(31,417)	31,417	-	-	-
Agent options modified	-	-	20,111	-	-	20,111
Stock based compensation - granted	-	-	-	898,770	-	898,770
Stock based compensation - modified	-	-	-	37,391	-	37,391
Net loss during the year	-	-	-	-	(1,796,798)	(1,796,798)
Balance - June 30, 2008	34,915,687	5,979,980	815,375	936,161	(1,875,763)	5,855,753
Agent options exercised	100,000	20,000	-	-	-	20,000
Shares issued pursuant to a private placement	7,670,000	1,534,000	-	-	-	1,534,000
Fair value attributed to warrants on private placement	-	(324,239)	324,239	-	-	-
Net loss for the period	-	-	-	-	(796,860)	(796,860)
Balance – June 30, 2009	42,685,687	7,209,741	1,139,614	936,161	(2,672,623)	6,612,893

(A) – represents the shareholders' equity of the legal parent prior to the RTO transaction.

The accompanying notes are an integral part of these consolidated financial statements.

Southern Hemisphere Mining Limited

(An exploration stage company)

Consolidated Statements of Operations and Deficit

For the year ended	June 30, 2009 \$	June 30, 2008 \$
Expenses		
Amortization	8,018	1,979
Corporate finance and finders fees	-	72,715
Donations	1,000	-
Investor relations	51,138	27,000
Insurance	10,000	9,969
Legal fees	90,216	161,770
Office and administration	66,155	56,961
Professional fees	218,084	199,495
Rent & utilities	61,914	21,381
Salaries & wages	425,699	211,980
Stock based compensation (Note 11)	-	936,161
Travel and accommodation	56,991	148,934
Transfer agent & filing fees	29,710	51,095
Loss before undernoted	(1,018,925)	(1,899,440)
Interest income	45,429	39,021
Foreign exchange gain	198,136	22,285
Loss before taxes	(775,360)	(1,838,134)
Income tax (expense) recovery	(21,500)	41,336
Net loss for the year	(796,860)	(1,796,798)
Deficit, beginning of period	(1,875,763)	(33,968)
RTO Adjustment (Note 2)	-	(44,997)
Deficit, end of period	(2,672,623)	(1,875,763)
Basic and diluted loss per share (Note 13)	(0.020)	(0.065)

The accompanying notes are an integral part of these consolidated financial statements.

Southern Hemisphere Mining Limited

(An exploration stage company)

Consolidated Statements of Cash Flows

For the year ended	June 30, 2009	June 30, 2008
	\$	\$
Cash provided by (used in):		
Operating activities:		
Net loss for the period	(796,860)	(1,796,798)
Adjustments for non-cash items:		
Amortization	8,018	1,979
Foreign exchange adjustment	13,451	(22,284)
Stock based compensation	-	936,161
Future income tax expense (recovery)	21,500	(41,336)
Changes in non-cash working capital items:		
Receivables	(30,659)	(24,536)
Accounts payable	1,422	92,437
Accrued liabilities	6,687	44,008
	(776,441)	(810,369)
Investing activities:		
Advances to related parties	(116,529)	(104,117)
Repayments from related parties	86,269	-
Mineral properties	(1,692,311)	(1,050,392)
Other acquisition costs	(74,810)	
Capital assets	(4,704)	(21,757)
Acquisition of subsidiaries	-	(1,785,652)
	(1,802,085)	(2,961,918)
Financing activities:		
Issuance of common shares and warrants	1,554,000	5,593,143
Costs of share issuance	-	(287,426)
	1,554,000	5,305,717
Increase (Decrease) in cash and Equivalents	(1,024,526)	1,533,430
Cash and equivalents, beginning of year	1,581,873	48,443
Cash and equivalents, end of year	557,347	1,581,873

The accompanying notes are an integral part of these consolidated financial statements.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

1. NATURE OF BUSINESS

Southern Hemisphere Mining Limited (the "Company") was created on December 17, 2007 by reverse takeover ("RTO") by Southern Hemisphere Mining Pty Ltd ("SHM") of Youandi Capital Corp. ("YCC"). YCC was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("the Exchange") Policy 2.4 and, accordingly, had no assets other than cash and no commercial operations. YCC changed its name to Southern Hemisphere Mining Limited on December 17, 2007. SHM was formed December 13, 2005 in Western Australia.

The Company is an exploration stage company engaged in the acquisition and exploration of mineral properties, principally located in Chile, and has not yet determined whether its mineral properties contain mineral reserves that are economically recoverable. The recovery of amounts capitalized for mineral exploration properties on the balance sheet is dependent upon the existence of economically recoverable mineral deposits, the ability of the Company to obtain the necessary financing to complete exploration and/or development of the properties, and upon future profitable production or proceeds from the disposition of the properties.

The accompanying consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to a going concern, which assumes that the Company will be able to continue its operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. Accordingly, these financial statements do not reflect any adjustments in the carrying values of the assets and liabilities, the reported expenses, and the balance sheet classifications used that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

As at June 30, 2009, the Company had no source of operating cash flow, and an accumulated deficit of \$2,672,623 (June 30, 2008 - \$1,875,763). Operations for the year ended June 30, 2009 have been funded by issuance of capital stock. The Company's ability to meet its obligations and continue as a going concern is dependent upon its ability to obtain additional financing, the discovery, development or sale of mining reserves and achievement of profitable operations. The Company is planning to meet its future expenditures and obligations by raising funds through public offerings, private placements or by optioning of mineral properties. Although the Company has been successful in obtaining financing in the past, it is not possible to predict whether future efforts will be successful or whether the Company will attain profitable levels of operation.

2. REVERSE TAKEOVER ACCOUNTING

The RTO was completed on December 17, 2007. Pursuant to the terms of the Share Exchange Agreement, date July 2, 2007, YCC issued 19,434,636 special warrants in exchange for all the outstanding shares of SHM (the "Transaction"). These special warrants were convertible to one common share on the conversion date without any further action on the part of the warrant holder. These special warrants were converted into common shares on April 18, 2008.

In addition, warrants and options to purchase YCC common shares outstanding immediately prior to the RTO were replaced with warrants and options to purchase an equivalent number of common shares of the Company, on economically equivalent terms and conditions. The incremental fair value of the options and warrants was included in expenses for the year ended June 30, 2008.

The Transaction has been accounted for as an RTO transaction in accordance with guidance provided in Emerging Issues Committee ("EIC") Abstract No. 10. As YCC did not qualify as a business for accounting purposes, the transaction has been accounted for as a capital transaction of SHM.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

2. REVERSE TAKEOVER ACCOUNTING (Cont'd)

The costs of the RTO amounted to \$230,257. These costs were included in legal fees and corporate finance fees for the year ended June 30, 2008.

The net assets acquired are as follows:

Cash	25,537
Less: accrued liabilities	(70,534)
Charge against deficit upon completion of RTO	(44,997)

Concurrently, the Company raised gross proceeds of \$3,681,275 in a brokered private placement and \$685,000 in a short form offering of 9,203,187 and 1,712,500 subscription receipts priced at \$0.40. In connection with the RTO, each subscription receipt was exchanged for one unit, each unit consisting of one common share and one half common share purchase warrant exercisable for 24 months at \$0.60 per share. (See note 9)

As a result of the RTO the Company's fiscal year end changed from July 31 to June 30.

3. SIGNIFICANT ACCOUNTING POLICIES

The following outlines the significant accounting policies under which these financial statements have been prepared for the years ended June 30, 2009 and 2008.

a) Principals of consolidation

The Company's consolidated financial statements include Southern Hemisphere Mining Limited and its subsidiaries, all of which are wholly owned: SHM Ltd., Mineras Hemisferio Sur ("MHS") and Servicios E Inversiones Futuro Ltd ("Futuro"). All significant inter-company transactions and balances have been eliminated on consolidation.

b) Basis of presentation

The consolidated financial statements of the Company have been prepared in accordance with GAAP. All monetary references expressed in these notes are references to Canadian dollars, except occasional references to Australian dollar or Chilean peso amounts, where the amounts are preceded by AUD or CLP respectively.

c) Cash and equivalents

Cash and equivalents include cash on account and highly liquid investments with a term to maturity of three months or less at the date of purchase.

d) Use of estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenditures during the reporting period.

Significant areas where management judgment is applied include those related to the recoverability of resource properties, valuation of options and warrants and the ability to continue as a going concern. While management believes that the estimates and assumptions are reasonable, actual results could differ from those estimates.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

e) Financial instruments and comprehensive income (loss)

All financial instruments are classified into one of the following five categories: held-for-trading assets or liabilities, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. Held-for-trading financial instruments are measured at fair value and all gains and losses are included in net income or loss in the period in which they arise. Transactions are recorded on the trade date. Transaction costs are expensed as incurred.

Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in accumulated other comprehensive income until the instruments are derecognized or impaired. Loans and receivables, investments held-to-maturity and other financial liabilities are measured at amortized cost using the effective interest method.

The Company has made the following classifications:

Cash and equivalents	Held for trading
Receivables	Loans and receivables
Loans due from related parties	Loans and receivables
Accounts payable and accrued liabilities	Other liabilities
Loans due to related parties	Other liabilities

The Company had no other comprehensive income or loss transactions during the years ended June 30, 2009 and 2008. Accordingly, a statement of comprehensive income has not been prepared.

f) Functional currency

The Canadian dollar is the Company's reporting and functional currency. The accounts of foreign subsidiaries are maintained in the local currency where the subsidiary is incorporated. The Company has determined that SHM and MHS are integrated foreign operations as defined in CICA Handbook Section 1651 and as a result, the Company has used the temporal method to translate the financial statements of these foreign operations into Canadian dollars.

Effective December 17, 2007, to coincide with the Transaction, the Company changed its functional currency from Australian dollars to Canadian dollars, as this currency is more appropriate for the Company's investors and other users of the financial statements.

g) Income taxes

Income taxes are calculated using the asset and liability method of accounting. Temporary differences arise from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet. These temporary differences are used to calculate future income tax liabilities or assets.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

g) Income taxes (cont'd)

Future income tax liabilities or assets are calculated using the substantively enacted tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the substantive enactment of the change. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized.

h) Loss per common share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of common shares outstanding during the year. The computation of diluted loss per share, according to the treasury stock method, assumes that any proceeds from the exercise of dilutive stock options and warrants would be used to repurchase common shares at the average market price during the period, with the incremental number of shares being included in the denominator of the diluted loss per share calculation. Diluted loss per share reflects the potential dilution of securities. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation as the results would be anti-dilutive.

i) Stock based compensation

The Company accounts for stock based compensation using the fair value based method. The fair value of stock based compensation is determined by using the Black-Scholes option pricing model. The fair value of stock options is recognized as stock based compensation expense over the option vesting period with an offsetting credit charged to contributed surplus. The applicable contributed surplus is transferred to share capital if and when the stock options are exercised. Any consideration paid on the exercise of stock options is credited to capital stock.

The Company's stock based compensation plan is described in note 11.

j) Other stock based payments

The Company accounts for other stock-based payments based on the fair value of the equity instruments issued in exchange for the receipt of goods and services from non-employees by using the stock price and other measurement assumptions as at the measurement date or the fair value of the services provided, whichever is considered more reliable.

k) Mineral properties

Direct property acquisition costs, field exploration and field supervisory costs relating to specific properties are deferred until the properties to which they relate are brought into production, at which time they will be amortized on a unit of production basis, or until the properties are abandoned, sold or allowed to lapse, at which time they will be written off.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

k) Mineral properties (cont'd)

Costs include the cash consideration paid and the fair value of the shares issued, if any, on the acquisition of exploration properties. Properties acquired under option agreements whereby payments are made at the sole discretion of the Company are recorded in the accounts at such time as the payments are made. The proceeds from options granted are applied to the cost of the related property and any excess is included in income for the year. Costs incurred for administration and general exploration that are not project specific, are charged to operations. The recorded amounts for acquisition costs of properties and their related capitalized exploration and development expenses represent actual expenditures incurred and are not intended to reflect present or future values. The Company, however, reviews the capitalized costs on its properties on a periodic, or at least annual basis and will recognize an impairment in value based upon the stage of exploration and/or development, work programs proposed, current exploration results and upon management's assessment of the future profitability of profitable revenues from each property, or from the sale of the relevant property.

The recovery of costs of mining claims and deferred exploration is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete exploration and development and future profitable production or proceeds of disposition of such properties.

l) Long-lived asset impairment

Long-lived assets, which comprise mineral properties and capital assets, are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

For capital assets, if the sum of the undiscounted future cash flows expected from use and residual value is less than carrying amount, the long-lived asset is considered impaired. An impairment loss is measured as the amount by which the carrying value of the long-lived assets exceeds its fair value.

m) Capital assets

Capital assets are amortized on the declining balance method at the following rates per annum:

Equipment	10-15%
Computer software	40%

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

3. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

n) Asset retirement obligations

The Company's mineral exploration and development activities are subject to various Chilean laws and regulations regarding the protection of the environment. As a result of these, the Company is expected to incur expenses from time to time to discharge its obligations under these laws and regulations.

Reclamation and closure costs are estimated based on the Company's interpretation of current regulatory and operating licence requirements and measured at fair value. Fair value is determined based on the net present value of future cash expenditures expected upon reclamation and closure and subsequent annual recognition of an accretion amount on the discounted liability. Reclamation and closure costs are capitalized as mine development costs and amortized over the life of the mine on a unit-of-production basis.

The Company does not currently have any legal obligations relating to the reclamation of its mineral properties.

o) Revenue recognition

Interest income is recorded on an accrual basis, as earned.

4. CHANGES IN ACCOUNTING POLICY

Effective for the Company's fiscal year beginning July 1, 2008, the Company adopted the following new accounting standards.

Section 1400 has been amended for new requirements relating to the assessment of an entity's ability to continue as a going concern. The Company has determined that this new standard will have no material impact on the Company's consolidated financial statements for the year ended June 30, 2009.

Section 1535, Capital Disclosures, establishes disclosure requirements relating to an entity's objectives, policies and processes for managing capital along with summary qualitative data about what it manages as capital. In addition, disclosures are to include whether the company has complied with any externally imposed capital requirements and when a company has not complied with capital requirements, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in note 19 to these financial statements.

Sections 3862, Financial Instruments – Disclosures and 3863, Financial Instruments – Presentation have replaced Section 3861 Financial Instruments – Disclosure and Presentation, revising and enhancing disclosure requirements on the nature and extent of risks arising from financial instruments and how a company manages those risks. Additional disclosures have been provided in note 16 to the Company's consolidated financial statements.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

5. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2006, the Canadian Accounting Standards Board ("AcSB") formally adopted a new strategic plan that will significantly affect financial reporting requirements for Canadian public corporations. The AcSB strategic plan outlined the convergence of Canadian GAAP with International Financial Reporting Standards ("IFRS") over a five-year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-accountable enterprises to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The effective date for the Company will be July 1, 2011 however it will require the restatement for the June 30, 2011 financial information for comparative purposes. The Company has begun assessing the impact of adoption of IFRS for 2011; the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

Section 3064, Goodwill and Intangible Assets replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The new section will be applicable to the Company's consolidated financial statements for the fiscal year beginning July 1, 2009. The Company is currently evaluating the impact of the adoption of this new section on its consolidated financial statements.

In January 2009, the CICA issued Section 1582 "Business Combinations" to replace Section 1581. The Company shall apply this standard effective July 1, 2011, with early adoption permitted. This new standard effectively harmonizes the business combinations standard under Canadian GAAP with IFRS. The new standard revises guidance on the determination of the carrying amount of the assets acquired and liabilities assumed, goodwill and accounting for non-controlling interests at the time of a business combination.

The CICA concurrently issued Section 1601 "Consolidated Financial Statements" and Section 1602 "Non-controlling Interests", which replace Section 1600 "Consolidated Financial Statements". Section 1601 provides revised guidance on the preparation of consolidated financial statements and Section 1602 addresses accounting for non-controlling interests in consolidated financial statements subsequent to a business combination.

The Company is currently assessing the impacts of adoption of these sections on its consolidated financial statements.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

6. MINERAL PROPERTIES

Project Location	Opening balance July 1, 2008 \$	Additions \$	Closing balance June 30, 2009 \$
El Arrayan (a)	1,308,551	59,849	1,368,400
Las Santas (a)	2,452,432	56,553	2,508,985
San Jose (a)	166,220	478,393	644,613
Los Pumas (c)	---	922,067	922,067
Mantos Grandes (b)	729,049	5,881	734,930
Chilean VAT	122,167	169,568	291,735
Total	4,778,419	1,692,311	6,470,730

Project Location	Opening balance July 1, 2007 \$	Additions \$	Closing balance June 30, 2008 \$
El Arrayan	163,058	1,145,493	1,308,551
Las Santas	230,054	2,222,378	2,452,432
San Jose	43,350	122,870	166,220
Mantos Grandes	---	729,049	729,049
Chilean VAT	---	122,167	122,167
Total	436,462	4,341,957	4,778,419

a) Acquisition of MHS

Background of the transaction

The Company is a South American focused resource company. On January 31, 2006, the Company concluded Binding Heads of Agreement (the "Agreement"), an agreement which by the mutual consent of the parties cannot be changed, with Q&H Inversiones y Asesorias Limitada ("Q&H"), Mr. Jorge Igor Collado and Mr. Eduardo Javier Alfonso Valenzuela Arnaiz. In this agreement, Q&H and Messrs. Collado and Valenzuela Airnaz agreed to incorporate Minera Hemisferio Sur S.C.M. ("MHS"), and transfer to MHS ownership of the exploration mining concessions over the properties now known as the MHS projects, in exchange for the issue to them of the entire issued MHS share capital. The Agreement also recorded the key terms under which Q&H and Messrs. Collado and Valenzuela Airnaz, as owners of the entire issued MHS share capital, would grant the Company an option to acquire their shares in MHS, upon the acquisition of MHS of the MHS projects. MHS acquired the MHS projects on March 13, 2006 and issued 10,000 common shares to Q&H and Messrs. Collado and Valenzuela Arnaiz.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

6. MINERAL PROPERTIES (Cont'd)

a) Acquisition of MHS (cont'd)

Background of the transaction (cont'd)

On June 13, 2006 the Company concluded the MHS Option Agreement to acquire the entire issued share capital from Q&H, Igor Collado and Eduardo Valenzuela. On October 24, 2006 Igor Collado transferred his shares in MHS and on February 14, 2007 ceded and assigned his rights and obligations under the MHS Option Agreement to SGCC (a company controlled by Mr. Collado). On January 15, 2007 Eduardo Valenzuela transferred his shares in MHS and on February 14, 2007, ceded and assigned his rights and obligations under the MHS Option Agreement to Alpes. (A company controlled by Mr. Valenzuela).

MHS is a Chilean registered and incorporated company that owns exploration mining concessions in three tenement areas. These three tenement areas total approximately 252 square kilometers of prospective exploration ground covering three mineralized porphyry copper systems. They are all located within the Chile copper belt and in the case of two of the tenements are in close proximity to existing large copper or copper/gold mining operations.

The tenements are made up of three separate packages of exploration mining concessions: namely Las Santas, (previously known as Coiron) which covers 109 square kilometers in an area located approximately 110 kilometres north of Santiago; El Arrayan, which covers 59 square kilometers, and is located approximately 470 kilometres north of Santiago, San Jose, which covers 84 square kilometres, and is located approximately 390 kilometres south of Santiago. These three tenement packages together, collectively constitute the MHS Projects.

The MHS Option Agreement, as amended on June 28, 2007, granted the Company the option to purchase 7,500 MHS Shares ("Option A") and the option to purchase a further 2,500 MHS shares ("Option B"). The entire issued share capital of MHS is 10,000 shares.

SHM has been identified as the acquirer for accounting purposes. The purchase consideration for all of the shares of MHS was \$2,123,748 and has been allocated as follows:

	\$
Cash and cash equivalents	2,202
Accounts receivables	210
Mineral properties	2,680,003
Loan from related party	(125,648)
Future income taxes	(433,017)
Net assets acquired	2,123,750

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

6. MINERAL PROPERTIES (Cont'd)

a) Acquisition of MHS (cont'd)

Background of the transaction (cont'd)

The mineral property acquisition value has been allocated to the Chilean mineral properties as follows:

El Arrayan	\$	892,172
Las Santas		1,668,570
San Jose		112,293
Other		6,968
Total	\$	2,680,003

b) Acquisition of Futuro

Background of the transaction

On February 19, 2008 the Company announced that it had exercised its option to purchase all the shares in Sociedad Servicios E Inversiones Futuro Limitada, ("Futuro"), a Chilean incorporated company that was previously owned by Sundance Resources Limited of Australia, for the sum of \$595,157 (US\$500,000). The assets of Futuro comprise: (i) Tenements, (ii) Rural property, (iii) A mining plant and (iv) Water easement rights.

- (i) Tenements – a total of 53 square kilometers of a combination of granted mining concessions and mining petitions. These tenements are all in good standing.
- (ii) Rural property – the "Las Mollacas" rural property comprises a surface area of 923 hectares.
- (iii) Mining Plant – a standard flotation processing plant capable of processing 200 tonnes per day that has been on care and maintenance since the early 2000's.
- (iv) Water Easement Rights – the plant is legally entitled to use the water running through the rural property.

SHM has been identified as the acquirer for accounting purposes. The purchase for all of the shares of Futuro was \$595,157 and has been allocated as follows:

	\$
Equipment	1,219
Mineral properties	729,049
Accrued liabilities	(1,101)
Loans from related party	(29,592)
Future income taxes	(104,418)
Net assets acquired	595,157

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

6. MINERAL PROPERTIES (Cont'd)

b) Acquisition of Futuro (cont'd)

Background of the transaction (cont'd)

The mineral property acquisition value has been allocated to the Chilean mineral properties as follows:

Tenements	\$ 580,780
Rural property	98,269
Pingo plant and water easement rights	50,000
Total	\$ 729,049

c) Kaiora Option Agreement

The Kaiora Agreement is an agreement between Minera Hemisferio Sur SCM (MHS), a wholly owned subsidiary of SHM, and Sociedad Minera Kaiora Internacional Limitada ("Kaiora"). The Agreement is an option to purchase mining tenements "Emanuel del 1 al 20" and "Awahou 1-20" which cover 132 square kilometers near Putre in northern Chile. The option is in two parts. Option A and Option B. To exercise Option A MHS must pay to Kaiora the sum of US\$1,050,000. To exercise Option B MHS must pay an additional US\$1,000,000 to Kaiora. MHS has already paid US\$250,000 of the payments required to exercise Option A. A final payment required to exercise Option A is due in December 2009. Upon exercise of Option A the tenements will be transferred to a yet to be formed Chilean company. The shares in this company shall be 50% held by Kaiora and 50% by MHS. MHS will then have a 50% interest in the ownership of the tenements. Option B gives MHS an option to purchase the 50% of the shares held by Kaiora in the new Chilean company. MHS has until Dec 2010 to exercise Option B.

Management's estimates of mineral prices, mineral resources, and operating, capital and reclamation costs are subject to risks and uncertainties that may affect the determination of the recoverability of deferred mineral property costs. Although management has made its best estimate of these factors, it is possible that material changes could occur which may adversely affect management's estimate of the net cash flows to be generated from its properties. The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

7. CAPITAL ASSETS

	June 30, 2009	June 30, 2008
Computer Software at Cost	\$ 16,217	\$ 16,217
Equipment at Cost	16,113	10,770
Accumulated Amortization	(11,936)	(3,279)
Net Book Value of Capital Assets	\$ 20,394	\$ 23,708

8. RELATED PARTY TRANSACTIONS AND BALANCES

At June 30, 2009 and 2008 the Company had certain arrangements in place with related parties to provide administrative, accounting, and management services that the Company requires. These services are in the normal course of business and are measured at the exchange amount, which is the fair value as agreed between management and the related parties.

Loans due from and to related parties are non-interest bearing and have no specified terms of repayment.

The following amounts are expected to be paid within the next year and have been classified as current liabilities in these financial statements.

Services provided by:

	Year ended June 30, 2009	Year ended June 30, 2008
Andes Consulting Pty Ltd (a)	\$ 50,638	\$ 25,233
Servicios Geologicos Colective Civil Limitada (b)	\$ 114,338	\$ ---
Featly Pty Ltd.(c)	\$ 70,876	\$ 35,250
Misape Management Inc. (d)	\$ 31,251	\$ ---
Silverbridge Capital Inc. (e)	\$ 21,108	\$ 175,462
St. George Management Services Ltd (f)	\$ 57,571	\$ 54,963

Balances included in accounts payables and accrued liabilities:

St. George Management Services Ltd (f)	\$ 59	\$ 16,018
Loans due from related parties (g)	\$ 133,995	\$ 104,325
Loans due to related parties (h)	\$ 13,105	\$ 13,695

(a) Andes Consulting Pty Ltd is an Australian incorporated company controlled by a director, officer and shareholder of the Company in which directors fees are paid on a monthly basis.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

8. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

- (b) Servicios Geologicos Colective Civil Limitada is a Chilean incorporated company controlled by a director and shareholder of the Company who provides geological consulting work to the Company.
- (c) Featly Pty Ltd is an Australian incorporated company controlled by a director, officer and shareholder of the Company in which directors fees are paid on a monthly basis.
- (d) Misape Management Inc. is a Canadian incorporated company controlled by a director, officer and shareholder of the Company. Non-executive director's fees are paid to the company on a monthly basis.
- (e) Silverbridge Capital Inc. ("Silverbridge") is a company controlled by a director, officer and shareholder of the Company. Silverbridge had a corporate advisory mandate to advise SHM on the conclusion of the Qualifying Transaction with SHM and MHS, and an agency arrangement with the Company to raise the offering proceeds on a commercially reasonable efforts basis. A commission of \$98,825 or 7% was payable to Silverbridge on the gross proceeds of the brokered portion of the financing. In addition, finders fees of \$25,000 and incidental charges of \$51,637 were paid to Silverbridge during the year ended June 30, 2008. Non-executive directors' fees were paid to Silverbridge in the later part of the financial year ending June 30, 2009 along with an amount of \$12,949 in regards to advisory work completed for the EGM held in July 2009.
- (f) Fees paid for or accrued to a company controlled by a director and shareholder of the Company. Upon the completion of the Qualifying Transaction the Company entered into an agreement with St. George Management Services Ltd regarding the provision of office accommodation, financial management, investor relations and administrative services. These services were carried on in the financial year ending June 30, 2009.
- (g) Amounts due from related parties as at June 30, 2009 are as follows:

	June 30, 2009	June 30, 2008
Pan American Mining PTY Limited (a company with directors in common)	\$ 82,727	\$ 72,589
South American Mining PTY Limited (a company with directors in common)	51,268	31,736
Total	\$ 133,995	\$ 104,325

Pan American Mining PTY Limited is an Australian entity that is partly owned by three directors and shareholders of the Company. The loan is a short-term operating loan, bears no interest and is repayable on demand at the discretion of the directors of the Company. (see note 21)

South American Mining PTY Limited is an Australian entity that is partly owned by three directors and shareholders of the Company. The loan is a short-term operating loan, bears no interest and is repayable on demand at the discretion of the directors of the Company. (see note 21)

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

8. RELATED PARTY TRANSACTIONS AND BALANCES (Cont'd)

- (h) The loan payable to South American Mining PTY Limited, a company with directors in common, of \$13,105 bears no interest and is repayable on demand at the discretion of the directors of South American Mining PTY Limited (June 30, 2008 - \$13,695). (see note 21)

9. SHARE CAPITAL

Capital stock activity, including that which was related to the RTO, is detailed as follows:

SHM Common Shares Issued – unlimited authorized, no par value	Number of Shares #	Amount \$
Balance, June 2007	1,335,501	622,957
Shares issued pursuant to private placement (a)	1,389,431	1,226,868
Balance, December 16, 2007, pre RTO	2,724,932	1,849,825

YCC Common Shares Issued – unlimited authorized, no par value	Number of Shares #	Amount \$
Balance, July 31, 2007 and December 16, 2007 (b)	2,000,000	262,944

YCC and SHM – unlimited authorized, no par Value	Number of Shares #	Amount \$
Balance, December 17, 2007	2,000,000	262,944
Reverse takeover adjustment (note 2)	---	(262,944)
Shares issued on RTO (b) (note 2)	19,434,636	1,849,825
Share issue costs – agent options (e)	---	(9,173)
Shares issued on acquisition of MHS (b) (note 6)	2,565,364	846,570
Shares issued pursuant to brokered private Placement (d)	9,203,187	3,681,275
Fair value of warrants issued with brokered Private placement (d)	---	(628,544)
Share issue costs – cash (d)	---	(169,447)
Share issue costs – agent options (e)	---	(9,173)
Shares issued pursuant to short-form offering (e)	1,712,500	685,000
Fair value of warrants issued with short-form offering (e)	---	(116,957)
Share issue costs – cash (e)	---	(117,979)
Share issue costs – agent options (e)	---	(31,417)
Balance, June 30, 2008	34,915,687	5,979,980
Agent options exercised (f)	100,000	20,000
Shares issued pursuant to a private placement (g)	7,670,000	1,534,000
Fair value of warrants issued with private Placement (g)	---	(324,239)
Balance, June 30, 2009	42,685,687	7,209,741

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

9. SHARE CAPITAL (Cont'd)

- a) During the year ended June 30, 2008, SHM issued 1,389,431 common shares, at a price of \$0.883 (AUD 1.00) per common share, for total proceeds of \$1,226,868 (AUD 1,289,431).
- b) During the year ended July 31, 2006, YCC issued 1,000,000 common shares, at a price of \$0.10 per common share, for total proceeds of \$100,000. As the Company was classified as a Capital Pool Corporation, these shares were held in escrow and could not be transferred, assigned or otherwise dealt with without the consent of the regulatory authorities. Under the terms of the escrow agreement, the shares would be released pro-rata to the shareholders as to 10% of the escrow shares upon notice of final acceptance of a Qualifying Transaction by the Exchange and the remainder in six equal tranches of 15% on every six month anniversary thereafter, for a period of 36 months.

On December 17, 2007, the Qualifying Transaction was completed and on April 22, 2008, the 22,000,000 convertible share securities were converted into common shares of the Company. On this date, the restrictions imposed by the TSX, other than those related to the escrow agreement, were lifted.

On November 1, 2006, YCC completed an initial public offering ("IPO") of 1,000,000 common shares at \$0.20 per common share for gross proceeds of \$200,000. Pursuant to an agency agreement with Raymond James Ltd. (the "Agent"), the Agent has received a commission of 10% of the gross proceeds, was reimbursed for its legal fees and expenses of \$6,266 and was granted 100,000 agent's options exercisable at \$0.20 per common share for a period of 24 months from November 3, 2006, when the Company's common shares were listed for trading on the Exchange. In addition, the Agent was paid a corporate finance fee of \$10,000 which has been included in the 2007 expenses.

The fair value of the agent options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: estimated dividend yield of Nil, estimated volatility of 100%, risk free rate of 4%, and an estimated life of 2 years.

- c) On December 17, 2007, pursuant to an agreement with Raymond James Ltd (the "Agent"), Raymond James received 50,000 non-transferrable sponsor's options ("Agent's Options") exercisable to purchase one share at \$0.40 per share to December 17, 2009.

The fair value of the Agent's Options was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions: estimated dividend yield of Nil, estimated volatility of 100%, risk free rate of 3%, and an estimated life of 2 years. The fair value of the options was estimated to be \$9,173.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

9. SHARE CAPITAL (Cont'd)

- d) On December 17, 2007, the Company completed a brokered private placement of 9,203,187 units at \$0.40 per unit for gross proceeds of \$3,681,275.

Each unit was comprised of one common share and a one half share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at an exercise price of \$0.60 per share. The proceeds have been allocated to common shares (\$3,052,731) and warrants (\$628,544) based on their relative fair values. The fair value of each warrant was estimated on the day of grant using the Black-Scholes option pricing model with the following assumption: estimated life of 2 years, estimated volatility 100%, risk free interest rate of 3%, and estimated dividend yield of Nil.

Pursuant to an agreement with Silverbridge Capital Inc. (the "Agent"), the Company paid a commission of \$98,825. In connection with the brokered private placement, the Company incurred other offering costs of \$70,662.

- e) On December 17, 2007, the Company completed a short form offering of 1,712,500 units at \$0.40 per unit for gross proceeds of \$685,000. Each unit was comprised of one common share and one half one share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at an exercise price of \$0.60 per share. The proceeds have been allocated to common shares (\$568,043) and warrants (\$116,957) based on their relative fair values. The fair value of each warrant was estimated on the day of grant using the Black-Scholes option pricing model with the following assumption: estimated life of 2 years, estimated volatility 100%, risk free interest rate of 3%, and estimated dividend yield of Nil.

Pursuant to an agency agreement with Haywood Securities Ltd. (the "Agent"), the Company paid a commission of \$47,950 and reimbursed \$24,479 in legal fees and expenses. In connection with the Short Form Offering, the Company incurred a corporate finance fee of \$45,550 and granted 171,250 non-transferable agent's options ("Agent Options") exercisable to purchase one share at \$0.40 per share to December 17, 2009 as well as 50,000 non-transferable agent's corporate finance options ("Agent Corporate Finance Options") exercisable to purchase one share at \$0.40 per share to December 17, 2009.

The fair value attributed to the Agent Options and Agent Corporate Finance Options granted under the Black Scholes option-pricing model was \$31,417 and \$9,173 respectively. The following assumptions were used to estimate the value: estimated dividend yield of Nil, estimated volatility of 100%, risk free rate of 3%, and an estimated life of 2 years.

- f) On August 19, 2008, Raymond James Ltd. exercised 100,000 agent's options to purchase 100,000 common shares at \$0.20 per share, for gross proceeds of \$20,000. These agent's options had been granted in part as remuneration for the IPO which transacted on November 1, 2006 (see note 9(d)).

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

9. SHARE CAPITAL (Cont'd)

- g) On December 4, 2008, the Company completed a private placement of 7,670,000 units at a price of \$0.20 per unit for gross proceeds of \$1,534,000. There were no commissions or selling costs associated with this transaction. Each unit was comprised of one common share and one half one share purchase warrant. Each whole warrant entitles the holder to purchase an additional common share at an exercise price of \$0.20 per share, exercisable for a period of two years. The proceeds have been allocated to common shares (\$1,209,761) and warrants (\$324,239) based on their relative fair values. The fair value of each warrant was estimated on the day of grant using the Black-Scholes option pricing model with the following assumption: estimated life of 2 years, estimated volatility 100%, risk free interest rate of 3.25%, and estimated dividend yield of Nil.

10. SHARE PURCHASE WARRANTS, AGENTS OPTIONS AND WARRANTS ISSUED AS LISTING COSTS

As at June 30, 2009, the following common share purchase warrants and agent options were issued and outstanding:

Warrants: Issued and Exercisable	Warrants	Weighted Avg Exercise Price	Agent Options	Weighted Avg Exercise Price
Balance, June 30, 2007	-	\$ -	100,000	\$ 0.20
Issued warrants pursuant to brokered private placement and short form Offering	5,457,844	0.60	-	-
Issued agent corporate finance options pursuant to Short form offering	-	-	50,000	0.40
Issued agent options on RTO	-	-	50,000	0.40
Issued agent warrants pursuant to brokered private placement	-	-	171,250	0.40
Balance, June 30, 2008	5,457,844	\$ 0.60	371,250	\$ 0.35
Agent's options exercised	-	-	(100,000)	0.20
Issued warrants pursuant to private placement	3,835,000	0.20	-	-
Balance, June. 30, 2009	9,292,844	\$ 0.43	271,250	\$ 0.29

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

10. SHARE PURCHASE WARRANTS, AGENTS OPTIONS AND WARRANTS ISSUED AS LISTING COSTS (Cont'd)

Warrants: Expiry Date	Expiry Date	Number #	Exercise Price \$	Exercisable #	Weighted Avg. Remaining Contractual Life
Warrants (a)	December 17, 2009	5,457,844	0.60	5,457,844	0.47 years
Agent options (b)					
(c) (d)	December 17, 2009	271,250	0.40	271,250	0.47 years
Warrants (e)	December 4, 2010	3,835,000	0.20	3,835,000	1.43 years

- a) 5,457,844 warrants entitling the holder to purchase one common share at \$0.60 per share until December 17, 2009.
- b) 171,250 non-transferrable agent options entitling Haywood Securities Inc. to purchase one common share at \$0.40 per shares until December 17, 2009.
- c) 50,000 non-transferrable sponsor's options entitling Raymond James Ltd to purchase one common share at \$0.40 per shares until December 17, 2009.
- d) 50,000 non-transferrable agent's corporate finance options entitling Haywood Securities Inc. to purchase one common share at \$0.40 per shares until December 17, 2009.
- e) 3,835,000 warrants entitling the holder to purchase one common share at \$0.20 per share until December 4, 2010.

11. STOCK BASED COMPENSATION

Under the terms of a stock option plan initially approved by shareholders on November 1, 2006, and re-approved on January 25, 2008, the Company may grant incentive stock options numbering up to 10% of the number of issued and outstanding common shares of the Company to its officers, directors, employees and consultants, for the purchase of common shares of the Company. Stock options are non-transferable. The Board of Directors of the Company determines the exercise price, but it may be no less than the current market price at the time of the grant. Options have a maximum term of five years and expire 90 days after the termination of employment or other contracting arrangement of the option holder.

Vesting of options may be at the time of granting of the option, or over a period as set out in each option agreement. Once approved and vested, options are exercisable at any time until expiry. The Company records the stock-based compensation expense over the vesting term of the options granted.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

11. STOCK BASED COMPENSATION (Cont'd)

During the year ended July 31, 2007 \$30,480 had been recorded by YCC as stock based compensation expense and added to Contributed Surplus in the Shareholder's Equity on the Balance Sheet for stock options granted on November 1, 2006, which vested immediately. These options were valued on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility 100%; risk-free interest rate 4% and an expected life of 5 years. The Company had not granted any stock options prior to July 31, 2006.

The fair value of these options was modified on December 17, 2007 to represent the increase in value pursuant to the Transaction. The increase in value has been included in RTO costs.

On January 3, 2008, the Board of Directors granted 3,356,579 stock options to directors, officers and consultants which vested immediately. These options were valued on the date of grant using the Black-Scholes option pricing model with the following assumptions: expected dividend yield 0%; expected volatility 100%; risk-free interest rate 3.23% and an expected life of 5 years. The fair value of the options was estimated to be \$936,161.

No additional options were granted during the period from July 1, 2008 to June 30, 2009.

Options: issued and exercisable

	Number of Options	Weighted Average Exercise Price
Balance – June 30, 2007	133,334	\$ 0.20
Options granted	3,356,579	0.40
Balance – June 30, 2008 and 2009	3,489,913	\$ 0.39

Expiry Date	Number	Exercise Price	Exercisable	Weighted Avg Remaining Contractual Life
November 1, 2011	133,334	\$ 0.20	133,334	2.34 yrs
January 3, 2013	3,356,579	0.40	3,356,579	3.54 yrs

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

12. INCOME TAXES

	June 30, 2009	June 30, 2008
Net loss for accounting	\$ (775,360)	\$ (1,838,134)
Expected tax rate	33%	33.50%
Expected tax recovery at statutory rates	(255,900)	(615,775)
Stock based compensation	-	320,351
Unrecognized benefit of non-capital losses	268,200	260,463
Foreign tax rate differences	76,200	60,772
Recognized benefit of non-capital losses	(54,000)	(41,336)
Foreign exchange translation adjustment and other non-deductible expenditures	13,400	(7,465)
Share issue costs charged to equity	(26,400)	(18,346)
Future income tax expense (recovery)	\$ 21,500	\$ (41,336)

Future income tax assets (liability)	June 30, 2009	June 30, 2008
Non capital losses carried forward	\$ 555,300	\$ 344,700
Foreign tax rate differences	6,900	3,200
Share issuance costs	77,100	100,300
Mineral properties	(517,700)	(496,100)
Valuation allowance	(639,200)	(448,200)
Balance	\$ (517,600)	\$ (496,100)

As at June 30, 2009 the Company had available \$577,500 (CLP 259,784,000) in Chilean and \$705,200 (AUD 758,000) in Australian tax loss carry-forwards that may be carried forward indefinitely. In addition, the Company had available Canadian non-capital losses, which may be deducted in the calculation of taxable income in future years that will expire, if not utilized, as follows:

Origin	Expiry	Amounts
2006	2026	\$ 59,100
2007	2027	290,100
2008	2028	519,300
2009	2029	355,900
		\$ 1,224,400

13. LOSS PER SHARE

Loss per share is calculated using the weighted average number of shares outstanding. The weighted average number of shares outstanding for the year ended June 30, 2009 was 39,394,125 (2008 – 27,697,959) for the purpose of calculating the basic and diluted loss per share. As a result of the net losses for the year ended June 30, 2009 and 2008, the exercise of options and warrants has been excluded from the calculation of diluted loss per share given their anti-dilutive nature.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

14. ESCROWED SHARES

At June 30, 2009, the Company has the following shares in escrow:

- (1) 1,000,000 common shares issued during the period ended July 31, 2006, when the Company was a Capital Pool Corporation as defined under the policies of the TSX. These shares were subject to a Tier 2 value escrow arrangement as defined by the policies of the Exchange whereby 10% of the escrowed shares would be released upon issuance of the final notice of acceptance of a Qualifying Transaction by the Exchange, and the remainder in six equal tranches of 15% on every six month anniversary thereof, for a period of 36 months.
- (2) As the conversion of the 22,000,000 convertible share securities, issued on completion of the RTO which constituted the Company's Qualifying Transaction, took place on April 18, 2008, the release of the initial 10% of the escrowed former CPC shares was effective April 22, 2008.

22,000,000 convertible share securities convertible into common shares of the Company were issued on December 17, 2007, pursuant to a Share Exchange Agreement dated July 2, 2007 and amended September 13, 2007 and November 29, 2007.

These 22,000,000 convertible share securities were subject to a four month hold period, and are subject to a Tier 2 value escrow arrangement, the terms of which are as described in section (1) above. The 22,000,000 convertible share securities were converted into 22,000,000 common shares of the Company, effective April 18, 2008, and the initial release of 10% of the escrowed shares was effective April 22, 2008.

(1)	# of shares
Original # of shares	1,000,000
Release effective April 22, 2008	(100,000)
Release effective July 4, 2008	(150,000)
Release effective January 4, 2009	(150,000)
Balance of shares in escrow	600,000
(2)	# of shares
Original # of shares	22,000,000
Release effective April 22, 2008	(2,200,002)
Release effective July 4, 2008	(3,300,000)
Release effective January 4, 2009	(3,300,000)
Balance of shares in escrow	13,199,998
Total of escrowed shares	13,799,998

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

15. SEGMENTED INFORMATION

The Company is an exploration stage company engaged in the acquisition and exploration of mineral properties. All of the Company's mineral properties are located in Chile. The Company has one reportable segment operating in three geographical areas as follows:

Assets:	June 30, 2009	June 30, 2008
	\$	\$
Australia	597,801	659,712
Chile	6,686,304	940,957
Canada	18,032	4,915,309
Total:	7,302,137	6,515,978

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair value

The carrying value of cash and equivalents, receivables, accounts payable and accrued liabilities approximates fair value due to the relatively short-term maturity of these financial instruments. Fair value represents the amount that would be exchanged in an arm's length transaction between willing parties and is best evidenced by a quoted market price, if one exists. The fair value of loans due from/to related parties is not determinable as there are no specified terms of repayment.

Risk disclosures

The main risks the Company's financial instruments are exposed to are credit risk, foreign currency risk, interest rate risk and liquidity risk each of which is discussed below.

Credit risk

The Company is exposed to credit risk on cash and the accounts receivable. The Company does not have significant exposure to any individual customer or counter-party. With regard to credit risk on cash, the management has a policy of maintaining cash with Schedule "A" or Category "I" Banks.

Foreign currency risk

The Company operates in Canadian and international markets, giving rise to exposure to market risks from changes in foreign exchange rates. As at June 30, 2009, the Company has the following foreign denominated financial instruments which are recorded at the Canadian dollar equivalent and are subject to foreign currency risk:

Foreign currency risk	AUD	CLP
Cash and cash equivalents	594,118	1,892,733
Receivables	17,869	57,417,810
Loans due from related parties	18,265	-
Accounts payable	22,830	113,380
Loans due to related parties	14,087	-

A 10% change in the foreign exchange rates will impact Australian assets by approximately \$55,500. A 10% change in foreign exchange rates will impact Chilean assets by approximately \$13,000.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Cont'd)

Interest rate risk

Cash equivalents bear interest at floating rates based on the bank prime rate, and as such, are subject to interest rate cash flow risk resulting from market fluctuations in interest rates. The Company does not have significant exposure to interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has no income from operations and relies on equity fund raising to support its exploration program. Management prepares budgets and ensures funds are available prior to commencement of any such program. Should the need for further equity financing arise, there is a risk that the Company may not be able to sell new common shares at an acceptable price. All obligations are due within the year.

17. COMMODITY PRICE RISK

The ability of the Company to develop its properties and the future profitability of the Company is directly related to the market price of certain minerals. A sustained, significant decline in either the prices of the minerals, the Company's issued equities or investor sentiment could have a negative impact on the Company's ability to raise additional capital.

18. POLITICAL AND OTHER RISKS

The Company's mineral exploration activities in Chile, South America exposes the Company to different considerations and other risks not typically associated with companies in North America. Such risks are associated with the political, economic and legal environments. The Company's results may be adversely affected by changes in political and social conditions and by changes in government policies with respect to laws and regulations.

19. CAPITAL DISCLOSURES

The Company's objective when managing capital is to raise sufficient funds in order to maintain and execute the objectives identified in each mineral property project in the Company's exploration plan. There is no quantitative return of capital criteria set out for management, but instead the Company relies on the expertise of management to further develop and maintain its activities.

The Company considers its capital to be equity which comprises of common shares, warrants, agent's options and contributed surplus and deficit, which at June 30, 2009 amounted to \$6,612,893 (2008 - \$5,855,753).

The mineral properties in which the Company currently has an interest are in the exploration stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as required. The Company does not have any externally imposed capital requirements.

There were no changes in the Company's approach to capital management during the year ended June 30, 2009.

Southern Hemisphere Mining Limited

(An exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended June 30, 2009 and 2008

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period's presentation. The net loss previously reported has not been affected by this reclassification.

21. SUBSEQUENT EVENTS

1. On 29th July 2009 the company received unanimous approval from its shareholders at the Shareholders Meeting held on July 20th 2009 for the acquisition of all the issued and outstanding shares of two Australian exploration companies namely Pan American Mining PTY Limited ("PAM") and South American Mining PTY Limited ("SAM") for a total consideration of \$2 million payable by issuing a total of 10 million Southern Hemisphere common shares (the "Consideration Shares"). PAM and SAM are partly owned by three directors and shareholders of the Company. PAM and SAM through two Chilean subsidiary companies have a total of eight Chilean gold, base metal, uranium and iron exploration projects which complement the existing Southern Hemisphere exploration project portfolio in Chile. PAM and SAM are comprised predominantly of mineral assets. The Company incurred corporate acquisition costs of \$74,810 that have been capitalized.
2. On 6th August 2009 the company issued 15,000,000 units at a price of \$0.20 per unit for total proceeds of \$3 million. Each unit will consist of one common share and a one half share purchase warrant. Each whole warrant will entitle the holder to purchase one common share at a price of \$0.40 per share, exercisable for a period of 2 years from the closing date.
3. A due diligence committee has been formed as part of the process of listing the company on the Australian Stock Exchange ("ASX"), the Company anticipates the listing in November 2009.